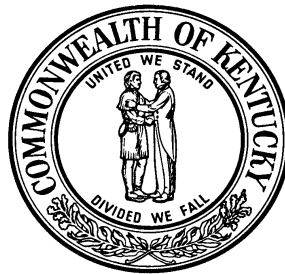


**REPORT OF THE AUDIT OF THE  
BOURBON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administrative Cabinet  
Honorable Donnie Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

The enclosed report prepared by Cotton and Allen, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements.

We engaged Cotton and Allen, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Cotton and Allen, PSC evaluated Bourbon County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
BOURBON COUNTY FISCAL COURT**

**June 30, 2008**

Cotton and Allen, PSC has completed the audit of the Bourbon County Fiscal Court for the fiscal year ended June 30, 2008. We have issued unqualified opinions on the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky. We have also issued a disclaimer of opinion on the business-type activities and the jail canteen fund of Bourbon County, Kentucky due to the lack of adequate documentation maintained by the Jailer.

**Financial Condition:**

The fiscal court had unrestricted net assets of \$4,024,908 in its governmental activities as of June 30, 2008, with total net assets of \$16,735,168. The fiscal court had total debt principal as of June 30, 2008 of \$7,671,627 with \$475,472 due within the next year.

**Report Comments:**

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported
- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Donnie Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2008, as listed in the table of contents. We were engaged to audit the accompanying financial statements of the business-type activities and jail canteen fund of Bourbon County, Kentucky, as of and for the year ended June 30, 2008. These financial statements are the responsibility of Bourbon County Fiscal Court. Our responsibility is to express opinions on the financial statements of the governmental activities, each major governmental fund, and the aggregate remaining fund information based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, Bourbon County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We were unable to obtain daily cash checkout sheets, receipts and disbursements ledgers, supporting documentation for disbursements, and bank reconciliations for the jail canteen fund and we were unable to apply other auditing procedures to the jail canteen fund.

Because of the lack of adequate documentation maintained by the Jailer on the jail canteen fund and because we were unable to apply other auditing procedures to the jail canteen fund, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the business-type activities and the jail canteen fund.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major governmental fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Donnie Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

The County has not presented the management's discussion and analysis that the Government Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bourbon County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2008, on our consideration of Bourbon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported
- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

Respectfully submitted,



Cotton and Allen, P.S.C.  
Certified Public Accountants and Advisors

December 10, 2008

BOURBON COUNTY OFFICIALS

For The Year Ended June 30, 2008

**Fiscal Court Members:**

Donnie R. Foley	County Judge/Executive
Mark Offutt	Magistrate
Marion Dawson	Magistrate
Barry L. Hay	Magistrate
Martha Overly	Magistrate
Donald R. McCarty	Magistrate
Cecil Foley	Magistrate
John N. Smoot	Magistrate

**Other Elected Officials:**

Dorothy M. Mastin	County Attorney
Tony Horn	Jailer
Richard S. Eads	County Clerk
Doug Fain	Circuit Court Clerk
Mark L. Matthews	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Rosemary Kitchen	Coroner

**Appointed Personnel:**

Mary Allen Hedges	County Treasurer
Mary Allen Hedges	Occupational Tax Collector
Charlotte O. Stone	Finance Officer

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**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**



**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,226,900	\$ 43,633	\$ 4,270,533
Permanently Restricted Assets:			
Cash and Cash Equivalents	397,730		397,730
Bonds - Government	746,965		746,965
Bonds - Corporate	1,227,454		1,227,454
Bonds - Municipal	55,000		55,000
Mutual Funds - Fixed	545,952		545,952
Mutual Funds - Equity	1,344,630		1,344,630
Mutual Funds - Taxable	352,729		352,729
Common Stock	1,116,680		1,116,680
Total Current Assets	<u>10,014,040</u>	<u>43,633</u>	<u>10,057,673</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Construction In Progress	7,910		7,910
Land and Land Improvements	856,877		856,877
Buildings	9,934,540		9,934,540
Other Equipment	711,954		711,954
Vehicles and Equipment	297,396		297,396
Infrastructure	2,584,078		2,584,078
Total Noncurrent Assets	<u>14,392,755</u>		<u>14,392,755</u>
Total Assets	<u>24,406,795</u>	<u>43,633</u>	<u>24,450,428</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds	230,000		230,000
General Obligation Bonds	240,000		240,000
Financing Obligations	5,472		5,472
Total Current Liabilities	<u>475,472</u>		<u>475,472</u>
Noncurrent Liabilities:			
Revenue Bonds	3,835,000		3,835,000
General Obligation Bonds	3,285,000		3,285,000
Financing Obligations	76,155		76,155
Total Noncurrent Liabilities	<u>7,196,155</u>		<u>7,196,155</u>
Total Liabilities	<u>7,671,627</u>		<u>7,671,627</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	6,721,128		6,721,128
Restricted For:			
Capital Projects	200,267		200,267
Permanent Fund	5,787,140		5,787,140
Debt Service	1,725		1,725
Unrestricted	4,024,908	43,633	4,068,541
Total Net Assets	<u>\$ 16,735,168</u>	<u>\$ 43,633</u>	<u>\$ 16,778,801</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Primary Government:</b>			
Governmental Activities:			
General Government	\$ 3,438,547	\$ 81,413	\$ 1,433,335
Protection to Persons and Property	2,122,079	558,139	322,423
General Health and Sanitation	1,012,547	11,774	850,530
Social Services	467,888		
Recreation and Culture	328,901	16,995	100,000
Roads	490,999		1,184,324
Debt Service	297,308		
Capital Projects	221,093		
Total Governmental Activities	<u>8,379,362</u>	<u>668,321</u>	<u>3,890,612</u>
Business-type Activities:			
Jail Canteen	417,969	421,990	
Total Business-type Activities	<u>417,969</u>	<u>421,990</u>	
Total Primary Government	<u>\$ 8,797,331</u>	<u>\$ 1,090,311</u>	<u>\$ 3,890,612</u>

**General Revenues:**

Taxes:

    Real Property Taxes

    Personal Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,923,799)	\$	\$ (1,923,799)
(1,241,517)		(1,241,517)
(150,243)		(150,243)
(467,888)		(467,888)
(211,906)		(211,906)
693,325		693,325
(297,308)		(297,308)
(221,093)		(221,093)
<u>(3,820,429)</u>		<u>(3,820,429)</u>
	4,021	4,021
	<u>4,021</u>	<u>4,021</u>
<u>(3,820,429)</u>	<u>4,021</u>	<u>(3,816,408)</u>
1,124,589		1,124,589
71,476		71,476
221,891		221,891
2,328,682		2,328,682
563,272		563,272
82,782		82,782
<u>565,669</u>		<u>565,669</u>
<u>4,958,361</u>		<u>4,958,361</u>
1,137,932	4,021	1,141,953
<u>15,597,236</u>	<u>39,612</u>	<u>15,636,848</u>
<u>\$ 16,735,168</u>	<u>\$ 43,633</u>	<u>\$ 16,778,801</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>John Marston Educational Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,823,658	\$ 613,433	\$ 12,087	\$
Cash and Cash Equivalents - Non-Expendable Trust				93,069
Bonds - Government				300,000
Bonds - Corporate				352,165
Bonds - Municipal				55,000
Mutual Funds - Fixed				
Mutual Funds - Equity				220,887
Mutual Funds - Taxable Common Stock				449,775
Total Assets	2,823,658	613,433	12,087	1,470,896
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	23,198	20,094	5,459	
Permanent Funds				1,470,896
Unreserved:				
General Fund	2,800,460			
Special Revenue Funds		593,339	6,628	
Capital Projects Fund				
Debt Service Fund				
Total Fund Balances	\$ 2,823,658	\$ 613,433	\$ 12,087	\$ 1,470,896

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2008**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Courthouse Bonds Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 200,267	\$ 1,725	\$ 575,730	\$ 4,226,900
22,793			281,868	397,730
61,786			385,179	746,965
651,561			223,728	1,227,454
				55,000
			545,952	545,952
			1,123,743	1,344,630
			352,729	352,729
666,905				1,116,680
1,403,045	200,267	1,725	3,488,929	10,014,040
1,403,045			60	48,811
			2,913,199	5,787,140
				2,800,460
			575,670	1,175,637
	200,267			200,267
		1,725		1,725
\$ 1,403,045	\$ 200,267	\$ 1,725	\$ 3,488,929	\$ 10,014,040

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 10,014,040
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	18,036,243
Accumulated Depreciation	(3,643,488)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(81,627)
Bonds	(7,590,000)
Net Assets Of Governmental Activities	\$ 16,735,168

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>John Marston Educational Fund</b>
<b>REVENUES</b>				
Taxes	\$ 3,746,532	\$	\$	\$
Excess Fees	563,272			
Licenses and Permits	66,243			
Intergovernmental	1,635,415	1,099,379	685,370	
Charges for Services	16,995		47,366	
Miscellaneous	36,748	2,640	59,469	
Interest	69,768	20,549	909	97,045
Total Revenues	<u>6,134,973</u>	<u>1,122,568</u>	<u>793,114</u>	<u>97,045</u>
<b>EXPENDITURES</b>				
General Government	1,383,757			
Protection to Persons and Property	850,939		1,118,062	
General Health and Sanitation	998,297	7,849		
Social Services	211,654			9,077
Recreation and Culture	398,396			
Roads		577,256		
Debt Service	10,417			
Capital Projects		178,193		
Administration	829,037	179,588	236,666	
Total Expenditures	<u>4,682,497</u>	<u>942,886</u>	<u>1,354,728</u>	<u>9,077</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,452,476</u>	<u>179,682</u>	<u>(561,614)</u>	<u>87,968</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds			571,000	
Transfers To Other Funds	(931,052)			(57,810)
Total Other Financing Sources (Uses)	<u>(931,052)</u>		<u>571,000</u>	<u>(57,810)</u>
Net Change in Fund Balances	521,424	179,682	9,386	30,158
Fund Balances - Beginning	2,302,234	433,751	2,701	1,440,738
Fund Balances - Ending	<u>\$ 2,823,658</u>	<u>\$ 613,433</u>	<u>\$ 12,087</u>	<u>\$ 1,470,896</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Courthouse Bonds Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$	\$ 3,746,532
				563,272
				66,243
		340,530	640,797	4,401,491
				64,361
			10,869	109,726
68,682	12,692	575	295,449	565,669
<u>68,682</u>	<u>12,692</u>	<u>341,105</u>	<u>947,115</u>	<u>9,517,294</u>
	487,842		1,234	1,872,833
			47,434	2,016,435
			6,401	1,012,547
1,140			246,017	467,888
				398,396
				577,256
	360,052	351,980		722,449
			42,900	221,093
			664,622	1,909,913
<u>1,140</u>	<u>847,894</u>	<u>351,980</u>	<u>1,008,608</u>	<u>9,198,810</u>
<u>67,542</u>	<u>(835,202)</u>	<u>(10,875)</u>	<u>(61,493)</u>	<u>318,484</u>
	360,052		146,561	1,077,613
(32,761)			(55,990)	(1,077,613)
<u>(32,761)</u>	<u>360,052</u>		<u>90,571</u>	
34,781	(475,150)	(10,875)	29,078	318,484
1,368,264	675,417	12,600	3,459,851	9,695,556
<u>\$ 1,403,045</u>	<u>\$ 200,267</u>	<u>\$ 1,725</u>	<u>\$ 3,488,929</u>	<u>\$ 10,014,040</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**BOURBON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -**  
**MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ 318,484
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:	
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	920,423
Depreciation Expense	(524,116)
Disposal of Captial Assets	(2,000)
The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to government funds while Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These transactions, however, have no effect on net assets.	
Financing Obligations Principal Payments	5,141
Bond Principal Payments	<u>420,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,137,932</u></u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2008**



**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2008**

	<b>Business-Type Activity</b> <hr/> <b>Enterprise Fund</b> <hr/>	<b>Jail Canteen Fund</b> <hr/>
<b>Assets</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 43,633	
Total Assets	<hr/> 43,633 <hr/>	
<b>Net Assets</b>		
Unrestricted	43,633	
Total Net Assets	<hr/> \$ 43,633 <hr/>	

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<u><b>Business-Type Activity Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Revenues</b>	
Total Revenues	\$     421,990
<b>Expenses</b>	
Total Expenses	417,969
Operating Income	4,021
Change In Net Assets	4,021
Total Net Assets - Beginning	39,612
Total Net Assets - Ending	<u><u>\$     43,633</u></u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**



**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2008**

	<b>Business-Type Activity</b> <hr/> <b>Enterprise Fund</b> <hr/>	<b>Jail Canteen Fund</b> <hr/>
<b>Cash Flows From Operating Activities and/or Noncapital Financing Activities</b>		
Revenues	\$ 421,990	
Expenditures	<u>(417,969)</u>	
Net Increase in Cash and Cash Equivalents	4,021	
Cash and Cash Equivalents - July 1, 2007	<u>39,612</u>	
Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 43,633</u></u>	

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Bourbon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Units**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

**Bourbon County Public Properties Corporation**

The Bourbon County Public Properties Corporation cannot be sued in its own name without recourse to the Bourbon County Fiscal Court, which appoints a voting majority consisting of fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation, as the Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as an agent in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

**C. Bourbon County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Bourbon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bourbon County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and modified cash basis of accounting and report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The governmental fund financial statements are reported using the current economic measurement focus and the modified cash basis of accounting.

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

John Marston Educational Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to account for income generated by the principal. The income less applicable administrative costs is to be spent for educational scholarships. The county has a committee, appointed by the County Judge/Executive, that decides how the money shall be disbursed based on applications received by the County Judge/Executive's office.

Clifton Gillespie Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to provide financial assistance with hospitals to indigent residents of Bourbon County. The County Judge/Executive decides who shall receive assistance from this fund by applications submitted. Each eligible person is limited to \$2,000.

Public Properties Corporation Courthouse Bonds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to complete renovations on the courthouse. The Department for Local Government does not require the fiscal court to report or budget these funds.

Public Properties Corporation Bond Proceeds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the county. The Public Properties Corporation issued debt to construct/finance a judicial center. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.



**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Funds**

Proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to inmates for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	2,500	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Educational Trust Funds or the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Educational Trust Funds or the Jail Canteen Fund to be budgeted because the fiscal court does not approve expenses from these funds.

**J. Related Organization and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Judy Water Association is considered a related organization of Bourbon County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Paris-Bourbon County Economic Development Authority is considered a joint venture of the Bourbon County Fiscal Court.

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**A. Deposits (Continued)**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2008, the County had the following investments:

**I. Cash**

	<u>Cost</u>
Cash	\$ 10,160
Money Market	387,570
Total Cash	<u>\$ 397,730</u>

**II. Investments**

	<u>Cost</u>				
	<u>&lt; 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>11-15 Years</u>	<u>16-20 Years</u>
Fixed Income Investments:					
Corporate Bonds	\$ 651,561	\$ 202,180	\$ 323,713	\$ 50,000	
Government Bonds		379,180	248,189	92,715	81,881
Other Bonds		545,952			
Total:	<u>\$ 651,561</u>	<u>\$ 1,127,312</u>	<u>\$ 571,902</u>	<u>\$ 142,715</u>	<u>\$ 81,881</u>

**Other Investments:**

	<u>Cost</u>
Common Stock	\$ 1,116,680
Mutual Funds	1,697,359
Total:	<u>2,814,039</u>
Total Investments	<u>\$ 5,389,410</u>

**Interest Rate Risk.** The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Credit Risk.** KRS 66.480 limits the County's investments in the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government.
- Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity.
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
- Bankers' acceptances for bank's rate in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency.
- Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments.

Also, the County is limited to investing no more than 20% in any one of four specifically mentioned investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. In general, certificates of deposit are not subject to investment credit risk. See the chart below for credit ratings for each individual investment type.

**Investments and Credit Ratings**

	AAA	AA	BAA	B	Unrated	Cost
Fixed Income Investments:						
Corporate Bonds	\$ 50,000	\$ 651,561	\$ 525,893	\$	\$	\$ 1,227,454
Government Bonds	801,965					801,965
Other Bonds	545,952					545,952
Common Stock				1,116,680		1,116,680
Mutual Funds					1,697,359	1,697,359
Total Investments	\$ 1,397,917	\$ 651,561	\$ 525,893	\$ 1,116,680	\$ 1,697,359	\$ 5,389,410

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Concentration of Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. See the chart below for investments that exceed five percent or more of the total investments for the County.

<b>Concentration of Credit Risk:</b>	<b>Cost</b>	<b>Concentration %</b>
Fixed Income Investments:		
Corporate Bonds	\$ 1,227,454	23%
Government Bonds	801,965	15%
Other Bonds	545,952	10%
Common Stock	1,116,680	21%
Mutual Funds	1,697,359	31%
<b>Total:</b>	<u>\$ 5,389,410</u>	<u>100%</u>

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2008, the County's investments were not exposed to custodial credit risk.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases
<b>Primary Government:</b>			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 856,877	\$	\$ 856,877
Construction In Progress		7,910	7,910
Total Capital Assets Not Being Depreciated	856,877	7,910	864,787
Capital Assets, Being Depreciated:			
Buildings	10,937,449	487,842	11,425,291
Other Equipment	1,256,301	161,779	1,418,080
Vehicles and Equipment	1,184,940	41,799	(43,076)
Infrastructure	2,923,329	221,093	3,144,422
Total Capital Assets Being Depreciated	16,302,019	912,513	(43,076)
Less Accumulated Depreciation For:			
Buildings	(1,295,982)	(194,769)	(1,490,751)
Other Equipment	(592,570)	(113,556)	(706,126)
Vehicles and Equipment	(868,773)	(58,570)	41,076
Infrastructure	(403,123)	(157,221)	(560,344)
Total Accumulated Depreciation	(3,160,448)	(524,116)	41,076
Total Capital Assets, Being Depreciated, Net	13,141,571	388,397	(2,000)
Governmental Activities Capital Assets, Net	<u>\$ 13,998,448</u>	<u>\$ 396,307</u>	<u>\$ (2,000)</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 143,643
Protection to Persons and Property	157,677
Recreation and Culture	17,010
Roads, Including Depreciation of General Infrastructure Assets	<u>205,786</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 524,116</u>

The county has elected not to report infrastructure assets retroactively; therefore, only infrastructure costs incurred since implementation of GASB 34 in fiscal year 2004 to present are reflected as a capital asset. Future infrastructure asset expenditures will be capitalized and expensed according to the capitalization policy adopted by the county.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Promissory Term Note Agreement**

During fiscal year ended June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The Public Properties Corporation was obligated to pay \$131,500 in principal payments over seven years, beginning in 1997 and ending in 2004. On November 15, 2004, the Public Properties Corporation refinanced this promissory term note, with an obligation to pay \$98,656 in principal payments over sixty (60) months, beginning December 15, 2004, with a balloon payment scheduled to be made at the end of the note. As of June 30, 2008, the outstanding principal balance of this note was \$81,627.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2009	\$ 5,472	\$ 4,946
2010	76,155	1,959
Totals	<u>\$ 81,627</u>	<u>\$ 6,905</u>

**B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project)**

On December 1, 2006, the Bourbon County Public Properties Corporation issued First Mortgage Revenue Bonds, Series 2006, in the amount of \$4,260,000 for the purpose of the defeasance of the 2000 Series Bonds, along with paying the associated costs of issuing the bond. Of this amount, \$4,174,938 was placed in an escrow account to pay the 2000 bonds upon eligible maturity (beginning on or after February 1, 2011). Principal and interest payments are due February 1, beginning in 2008, and interest, which varies from 3.4% to 3.95%, is payable semiannually on February 1 and August 1, beginning February 1, 2007. As of June 30, 2008, the principal balance was \$4,065,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2009	\$ 230,000	\$ 150,350
2010	235,000	142,530
2011	245,000	134,540
2012	255,000	125,964
2013	260,000	117,040
2014-2018	1,475,000	436,745
2019-2023	<u>1,365,000</u>	<u>136,260</u>
Totals	<u>\$4,065,000</u>	<u>\$1,243,429</u>



**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project) (Continued)**

On December 1, 2006, Bourbon County entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% of the debt service requirements. The lease does not require Bourbon County to make any rental payments toward the project; however, Bourbon County is obligated to provide operation, maintenance, insurance and repair of the project.

**C. General Obligation Public Project Bonds, Series 2006 (Courthouse Renovations I)**

On October 1, 2006, the Bourbon County Public Properties Corporation issued \$2,000,000 of General Obligation Public Project Bonds, Series 2006, for the purpose of renovating the courthouse. Principal payments are due biannually on August 1, beginning in 2007, and interest, which varies from 3.5% to 3.75%, is payable semi-annually on August 1 and February 1, beginning on February 1, 2007. As of June 30, 2008, the outstanding principal balance was \$1,835,000.

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2009	\$ 175,000	\$ 62,907
2010	180,000	56,695
2011	185,000	50,308
2012	195,000	43,658
2013	200,000	36,645
2014-2017	900,000	68,518
Totals	<u>\$1,835,000</u>	<u>\$ 318,731</u>

**D. General Obligation Public Project Bonds, Series 2007 (Courthouse Renovations II)**

On February 1, 2007, the Bourbon County Public Properties Corporation issued \$1,750,000 in General Obligation Public Project Bonds, Series 2007, for the purpose of paying additional costs relating to courthouse renovations. Principal payments are due annually on February 1, beginning in 2008, and interest, which varies from 3.625% to 3.85%, is payable semi-annually on August 1 and February 1, beginning August 1, 2007. As of June 30, 2008, the outstanding principal balance was \$1,690,000.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. General Obligation Public Project Bonds, Series 2007 (Courthouse Renovations II) (Continued)**

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2009	\$ 65,000	\$ 64,018
2010	65,000	61,662
2011	65,000	59,290
2012	70,000	56,918
2013	70,000	54,362
2014-2018	400,000	230,120
2019-2023	485,000	147,796
2024-2027	470,000	46,200
Totals	<u>\$1,690,000</u>	<u>\$ 720,366</u>

**F. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>				
Revenue Bonds	\$4,260,000	\$ 195,000	\$4,065,000	\$ 230,000
General Obligation Bonds	3,750,000	225,000	3,525,000	240,000
Financing Obligations	86,768	5,141	81,627	5,472
Governmental Activities Long-term Liabilities	<u>\$8,096,768</u>	<u>\$ 425,141</u>	<u>\$7,671,627</u>	<u>\$ 475,472</u>

**Note 5. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$5,277 in interest on financing obligations and \$288,919 in interest on bonds.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contribution for the year. The contribution requirements and the amounts contributed to CERS were \$282,246, \$345,324, and \$452,051, respectively for the years ended June 30, 2006, 2007, and 2008.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

The Bourbon County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at 502-573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2008, Bourbon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**  
**(Continued)**

**Note 9. Subsequent Events**

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, certain of the County's investments have incurred a significant decline in fair value since June 30, 2008, such that their current market value is below their cost at June 30, 2008.

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**



**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2008**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 3,062,420	\$ 3,062,420	\$ 3,746,532	\$ 684,112
Excess Fees	538,691	786,989	563,272	(223,717)
Licenses and Permits	77,100	77,100	66,243	(10,857)
Intergovernmental Revenue	4,241,091	4,319,091	1,635,415	(2,683,676)
Charges for Services	15,000	15,000	16,995	1,995
Miscellaneous	106,225	106,225	36,748	(69,477)
Interest	70,000	70,000	69,768	(232)
Total Revenues	<u>8,110,527</u>	<u>8,436,825</u>	<u>6,134,973</u>	<u>(2,301,852)</u>
<b>EXPENDITURES</b>				
General Government	2,546,150	2,615,208	1,383,757	1,231,451
Protection to Persons and Property	1,322,579	1,349,943	850,939	499,004
General Health and Sanitation	2,370,452	2,388,277	998,297	1,389,980
Social Services	270,678	272,530	211,654	60,876
Recreation and Culture	630,341	708,115	398,396	309,719
Debt Service	367,583	370,471	10,417	360,054
Administration	<u>1,457,014</u>	<u>1,586,551</u>	<u>829,037</u>	<u>757,514</u>
Total Expenditures	<u>8,964,797</u>	<u>9,291,095</u>	<u>4,682,497</u>	<u>4,608,598</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(854,270)</u>	<u>(854,270)</u>	<u>1,452,476</u>	<u>2,306,746</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(945,730)</u>	<u>(945,730)</u>	<u>(931,052)</u>	<u>14,678</u>
Total Other Financing Sources (Uses)	<u>(945,730)</u>	<u>(945,730)</u>	<u>(931,052)</u>	<u>14,678</u>
Net Changes in Fund Balance	(1,800,000)	(1,800,000)	521,424	2,321,424
Fund Balance - Beginning	<u>1,800,000</u>	<u>1,800,000</u>	<u>2,302,234</u>	<u>502,234</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,823,658</u>	<u>\$ 2,823,658</u>

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 856,738	\$ 1,056,738	\$ 1,099,379	\$ 42,641
Miscellaneous	400	400	2,640	2,240
Interest	15,000	15,000	20,549	5,549
Total Revenues	872,138	1,072,138	1,122,568	50,430
<b>EXPENDITURES</b>				
General Health and Sanitation	35,000	35,000	7,849	27,151
Roads	729,126	756,706	577,256	179,450
Capital Projects	160,000	378,193	178,193	200,000
Administration	258,012	212,239	179,588	32,651
Total Expenditures	1,182,138	1,382,138	942,886	439,252
Net Changes in Fund Balance	(310,000)	(310,000)	179,682	489,682
Fund Balance - Beginning	310,000	310,000	433,751	123,751
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 613,433</u>	<u>\$ 613,433</u>



**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 354,513	\$ 448,513	\$ 685,370	\$ 236,857
Charges for Services	31,800	31,800	47,366	15,566
Miscellaneous	18,200	24,200	59,469	35,269
Interest	1,000	1,000	909	(91)
Total Revenues	405,513	505,513	793,114	287,601
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,055,823	1,183,123	1,118,062	65,061
Administration	310,420	283,120	236,666	46,454
Total Expenditures	1,366,243	1,466,243	1,354,728	111,515
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(960,730)	(960,730)	(561,614)	399,116
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	945,730	945,730	571,000	(374,730)
Total Other Financing Sources (Uses)	945,730	945,730	571,000	(374,730)
Net Changes in Fund Balance	(15,000)	(15,000)	9,386	24,386
Fund Balance - Beginning	15,000	15,000	2,701	(12,299)
Fund Balance - Ending	\$ 0	\$ 0	\$ 12,087	\$ 12,087

**BOURBON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2008**

**Note 1.      Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**BOURBON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2008**

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>	<b>Health and Welfare Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 88,726	\$	\$ 18,967	\$ 117,412	\$ 18,589
Cash and Cash Equivalents - Non-Expendable Trust					
Bonds - Government					
Bonds - Corporate					
Mutual Funds - Fixed					
Mutual Funds - Equity					
Mutual Funds - Taxable					
Total Assets	<u>88,726</u>	<u></u>	<u>18,967</u>	<u>117,412</u>	<u>18,589</u>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances	60				
Permanent Funds					
Unreserved:					
Special Revenue Funds	<u>88,666</u>	<u></u>	<u>18,967</u>	<u>117,412</u>	<u>18,589</u>
Total Fund Balances	<u>\$ 88,726</u>	<u>\$ 0</u>	<u>\$ 18,967</u>	<u>\$ 117,412</u>	<u>\$ 18,589</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2008**  
**(Continued)**

<b>Educational Trust Checking Fund</b>	<b>E.M. Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>	<b>Robert Meteer Fund</b>	<b>Lucy Anderson Fund</b>
\$ 332,036	\$	\$	\$	\$	\$	\$
	1,124	3,838	212	425	86,350	19,099
	38,089	116,427	5,778	11,545	100,000	
					150,000	
					105,000	130,622
					353,669	124,987
					60,086	147,113
<u>332,036</u>	<u>39,213</u>	<u>120,265</u>	<u>5,990</u>	<u>11,970</u>	<u>855,105</u>	<u>421,821</u>
	39,213	120,265	5,990	11,970	855,105	421,821
<u>332,036</u>						
<u>\$ 332,036</u>	<u>\$ 39,213</u>	<u>\$ 120,265</u>	<u>\$ 5,990</u>	<u>\$ 11,970</u>	<u>\$ 855,105</u>	<u>\$ 421,821</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2008**  
**(Continued)**

	<b>Harrell- Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>	<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$	\$	\$	\$	\$
Cash and Cash Equivalents - Non-Expendable Trust	1,793	667	2,891	46,226	2,274
Bonds - Government				62,394	
Bonds - Corporate				49,333	
Mutual Funds - Fixed	22,306	8,578	16,976	76,537	31,000
Mutual Funds - Equity	11,286	19,104	12,169	317,956	29,288
Mutual Funds - Taxable			3,570	65,390	5,949
Total Assets	<u>35,385</u>	<u>28,349</u>	<u>35,606</u>	<u>617,836</u>	<u>68,511</u>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances					
Permanent Funds	35,385	28,349	35,606	617,836	68,511
Unreserved:					
Special Revenue Funds					
Total Fund Balances	<u>\$ 35,385</u>	<u>\$ 28,349</u>	<u>\$ 35,606</u>	<u>\$ 617,836</u>	<u>\$ 68,511</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2008**  
**(Continued)**

<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$	\$ 575,730
74,837	2,070	37,568	2,494	281,868
	50,946			385,179
		24,395		223,728
65,000		54,308	35,625	545,952
129,466		93,094	32,724	1,123,743
70,621				352,729
<u>339,924</u>	<u>53,016</u>	<u>209,365</u>	<u>70,843</u>	<u>3,488,929</u>
				60
339,924	53,016	209,365	70,843	2,913,199
				575,670
<u>\$ 339,924</u>	<u>\$ 53,016</u>	<u>\$ 209,365</u>	<u>\$ 70,843</u>	<u>\$ 3,488,929</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 84,944	\$ 6,401	\$	\$ 549,452
Miscellaneous			4,750	
Interest	2,155		53	10,372
Total Revenues	<u>87,099</u>	<u>6,401</u>	<u>4,803</u>	<u>559,824</u>
<b>EXPENDITURES</b>				
General Government			1,234	
Protection to Persons and Property	47,434			
General Health and Sanitation		6,401		
Social Services				
Capital Projects	42,900			
Administration				663,853
Total Expenditures	<u>90,334</u>	<u>6,401</u>	<u>1,234</u>	<u>663,853</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,235)</u>		<u>3,569</u>	<u>(104,029)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer To Other Funds				
Transfers From Other Funds				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(3,235)		3,569	(104,029)
Fund Balances - Beginning	91,961		15,398	221,441
Fund Balances - Ending	<u>\$ 88,726</u>	<u>\$ 0</u>	<u>\$ 18,967</u>	<u>\$ 117,412</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Health and Welfare Fund</b>	<b>Educational Trust Checking Fund</b>	<b>E.M. Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>
\$	\$	\$	\$	\$	\$
	2,784		130	469	931
418	3,250	5,004	7,724	425	850
418	6,034	5,004	7,854	894	1,781
2,276	166,549	65	80	69	74
		769			
2,276	166,549	834	80	69	74
(1,858)	(160,515)	4,170	7,774	825	1,707
		(1,059)	(9,902)	(360)	(785)
	146,561				
	146,561	(1,059)	(9,902)	(360)	(785)
(1,858)	(13,954)	3,111	(2,128)	465	922
20,447	345,990	36,102	122,393	5,525	11,048
\$ 18,589	\$ 332,036	\$ 39,213	\$ 120,265	\$ 5,990	\$ 11,970

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>Robert Meter Fund</b>	<b>Lucy Anderson Fund</b>	<b>Harrell - Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$	\$
Miscellaneous				
Interest	108,977	27,540	3,082	2,108
Total Revenues	108,977	27,540	3,082	2,108
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property				
General Health and Sanitation				
Social Services	39,710	4,517	408	203
Capital Projects				
Administration				
Total Expenditures	39,710	4,517	408	203
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	69,267	23,023	2,674	1,905
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer To Other Funds		(15,292)	(1,122)	(503)
Transfers From Other Funds				
Total Other Financing Sources (Uses)		(15,292)	(1,122)	(503)
Net Change in Fund Balances	69,267	7,731	1,552	1,402
Fund Balances - Beginning	785,838	414,090	33,833	26,947
Fund Balances - Ending	\$ 855,105	\$ 421,821	\$ 35,385	\$ 28,349

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**  
**(Continued)**

<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>	<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>
\$	\$	\$	\$	\$	\$	\$
				1,805		
2,995	40,406	8,161	46,856	4,164	13,308	7,601
2,995	40,406	8,161	46,856	5,969	13,308	7,601
437	3,769	431	16,686	83	8,380	2,280
437	3,769	431	16,686	83	8,380	2,280
2,558	36,637	7,730	30,170	5,886	4,928	5,321
(950)	(17,745)	(2,098)		(6,174)		
(950)	(17,745)	(2,098)		(6,174)		
1,608	18,892	5,632	30,170	(288)	4,928	5,321
33,998	598,944	62,879	309,754	53,304	204,437	65,522
\$ 35,606	\$ 617,836	\$ 68,511	\$ 339,924	\$ 53,016	\$ 209,365	\$ 70,843

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2008**  
**(Continued)**

	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>	
Intergovernmental	\$ 640,797
Miscellaneous	10,869
Interest	295,449
Total Revenues	<u>947,115</u>
<b>EXPENDITURES</b>	
General Government	1,234
Protection to Persons and Property	47,434
General Health and Sanitation	6,401
Social Services	246,017
Capital Projects	42,900
Administration	664,622
Total Expenditures	<u>1,008,608</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(61,493)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer To Other Funds	(55,990)
Transfers From Other Funds	146,561
Total Other Financing Sources (Uses)	<u>90,571</u>
Net Change in Fund Balances	29,078
Fund Balances - Beginning	<u>3,459,851</u>
Fund Balances - Ending	<u>\$ 3,488,929</u>

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







The Honorable Donnie Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 10, 2008 wherein we issued a disclaimer of opinion on the business-type activities and the jail canteen fund due to the lack of adequate documentation maintained by the Jailer. Bourbon County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Bourbon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bourbon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bourbon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bourbon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported

Management's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Bourbon County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Cotton and Allen, P.S.C  
Certified Public Accountants and Advisors

December 10, 2008

**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2008**



**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2008**

**STATE LAWS AND REGULATIONS**

**Income From Inmates And Jail Canteen Revenues And Expenses Should Be Properly Accounted For And Reported**

The former Jailer was responsible for collecting certain monies in the course of his elected position. During the audit, we noted that the former Jailer did not prepare or present a financial statement to the Fiscal Court for the Jail Canteen Fund as required by KRS 441.135. Auditors were also unable to obtain daily check out sheets, receipts ledgers, disbursements ledgers, supporting documentation for disbursements, and bank reconciliations for the Jail Canteen Fund. Unless otherwise specified by statute, the handling of these funds should be in accordance with the requirements for handling all county funds as prescribed by the state local finance officer pursuant to KRS 68.210.

Based on these findings and the responsibility of the Jailer to collect and account for Jail Canteen monies, we recommend the following guidelines for minimum accounting and reporting standards:

- Utilize the cash basis of accounting.
- Maintain the Jail Canteen for the benefit of prisoners lodged in the jail.
- Ensure all profits from the Jail Canteen are used for allowable expenses that are for the benefit and to enhance the well being of the prisoners. Allowable expenses shall include but not be limited to recreational, vocational, and medical purposes.
- The Jailer should implement and follow the fee schedule adopted by the Fiscal Court for assessing fees to inmates housed at the jail. This fee schedule should be consistently applied to all inmates.
- The Jailer should maintain an "inmates account" to identify fees charged to the inmates that were not paid. This minimum information should list the name, admission number, admission date, cash deposited at admission, dates of deposits, dates of withdrawals, and balance or amount due at release.
- Maintain supporting documentation for all disbursements from the Jail Canteen.
- Issue pre-numbered three part receipt forms for all receipts and account for the numerical sequence of all receipts issued.
- Batch daily receipts and agree to daily cash checkout sheet and daily bank deposits.
- Prepare monthly bank reconciliations.
- Maintain receipts and disbursements ledgers. Reconcile to the bank on a monthly basis and reconcile any differences immediately.
- Prepare and present the annual Jail Canteen financial statement to the County Treasurer.

We recommend the Fiscal Court and Jailer implement policies and procedures to ensure that income from inmates and the canteen is properly and consistently collected, receipted, and deposited into an official bank account and that the accounting documentation and financial statement requirements outlined above are being met by the Jailer at all times in order to be in compliance with KRS 68.210 and KRS 441.135 in the future.

***OFFICIAL'S RESPONSE:***

*The County Judge and County Treasurer are working with jail personnel and stressing the importance of maintaining accurate and detailed records. New office staff has been installed in the jail office and they are working hard to learn the bookkeeping phase of daily jail operations. These findings in this exit conference will be provided to the jail staff so they can see the areas of work needed.*

**BOURBON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2008**  
**(Continued)**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCY**

Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For

Based on review of the Bourbon County Detention Center Policy and Procedure Manual, it appears that a policy and plan for collection of inmate accounts receivables is in place. However, financial records to substantiate accounts receivable were not available for the audit period. Also, monitoring of accounts receivable balances or collections of accounts receivable is not done by the fiscal court.

Based on this, we recommend the fiscal court and Jailer implement policies and procedures to ensure accounts receivable from inmates are maintained and collected. These policies and procedures should include but not be limited to:

- Policies and procedures to track and collect accounts receivable from inmates.
- A formal collection process, i.e. turn over to County Attorney, contract with a collection agency, or designate a staff member to actively attempt collection.
- Accounts receivable records maintenance and collection of amounts due from returning former inmates.
- Monitoring accounts receivable balances and implementing a policy with regard to aging of accounts receivable and subsequent write off of uncollectible accounts.

***OFFICIAL'S RESPONSE:***

*See answer in previous comment. Also, the County Attorney's office will be brought into the collection area.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BOURBON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2008**

Appendix A

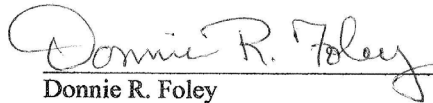


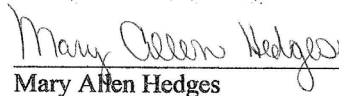


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
BOURBON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Bourbon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Donnie R. Foley  
Bourbon County Judge/Executive

  
Mary Allen Hedges  
Bourbon County Treasurer

